



Museum of Art Revenue Review Follow-Up Audit Report

Issued by the
Internal Audit Office
March 18, 2010

**City of El Paso
Internal Audit Office
Museum of Art Revenue Review Follow-Up Audit**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a follow-up audit on Museum of Art Revenue Review Audit Report dated March 27, 2009. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Findings	Status
1	The El Paso Museum of Art is handling financial transactions for the El Paso Museum of Art Foundation.	Implemented
2	There is a segregation of duties issue with a former Senior Secretary having custody of the Museum bank deposits and having access to the Museum Revenue Reports. The former Senior Secretary also had access to the Museum of Art Director's computer.	Implemented
3	There is no reconciliation process in place to identify if revenues are deposited and accurately allocated to the proper General Ledger account.	Implemented
4	Art Class revenues are entered into two separate databases, both of which were found to be inaccurate. A reconciliation process is not performed between the databases and what is actually deposited.	Implemented
5	Membership revenues are entered into two separate databases, both of which were found to be inaccurate. A reconciliation process is not performed between the databases and what is actually deposited.	Implemented
6	The El Paso Museum of Art does not maintain adequate accounting records for revenue generated by 3rd Thursdays' events. The Internal Audit Office could not verify \$2,412.00 in revenues that were reported by the El Paso Museum of Art for 3 rd Thursdays' events.	Not Applicable
7	The El Paso Museum of Art Petty Cash Fund is not being administered in accordance with City of El Paso's Petty Cash Manual.	Implemented

Based on the results of this follow-up audit, we have determined that six (6) of the seven (7) original findings have been implemented, and one (1) is not applicable.

For a detailed explanation of the findings and the current observations please refer to the appropriate finding contained in the body of this Audit Report.

BACKGROUND

The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing, Standard 2500.A1*, requires a post audit follow-up on all audit recommendations made to ascertain that appropriate action is taken on reported audit findings. The Internal Audit Office has conducted a follow-up audit of the Museum of Art Revenue Review Audit Report dated March 27, 2009.

AUDIT OBJECTIVES

The audit objective was to determine the status of the recommendations detailed in the original audit report which contained seven (7) findings requiring follow-up.

SCOPE AND METHODOLOGY

The follow-up audit was limited to a review of the findings and recommendations detailed in the original audit report, dated March 27, 2009. The audit period covered the operations of the Museum and Cultural Affairs Department and the El Paso Museum of Art from September 1, 2009 to the present. Audit fieldwork included interviewing key personnel, reviewing documents, and testing management processes to determine the status of each recommendation.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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***ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSE
TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND STATUS***

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Finding 1

El Paso Museum of Art Foundation

The El Paso Museum of Art is handling financial transactions for the El Paso Museum of Art Foundation.

- The El Paso Museum of Art Revenue Reports lists both Museum and Foundation revenues.
- The El Paso Museum of Art employees are handling financial transactions for the El Paso Museum of Art Foundation.
- Museum of Art funds have mistakenly been deposited into the Foundation account and vice versa.

Recommendation

The financial transactions of the El Paso Museum of Art Foundation should not be handled by the El Paso Museum of Art and/or the Museum and Cultural Affairs Department.

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Management's Response

The El Paso Museum of Art Foundation will transfer all financial responsibilities of depositing and tracking revenue to the Treasurer of the Board.

Responsible Party

Michael A. Tomor, Ph.D., Director

Implementation Date

July 1, 2009

Current Observation

- The El Paso Museum of Art Special Assistant to the Director serves as the secretary during the El Paso Museum of Art Foundation meetings, but she does not handle the financial transactions for the Foundation, they are all handled by the Foundation Treasurer.
- The El Paso Museum of Art Foundation still uses the mailing address of the El Paso Museum of Art. The El Paso Museum of Art staff no longer open the mail or log it into the El Paso Museum of Art Revenue Reports. Foundation mail is picked up at the Museum of Art by either the Foundation Treasurer or Foundation Chair.
- There are still occasions in which Museum revenues are made payable to the El Paso Museum of Art Foundation. In these instances, the Foundation will deposit the check into the Foundation bank account and have the Museum of Art invoice them for a reimbursement.

Status

Implemented

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Finding 2

Segregation of Duties

- An internal control weakness was identified whereby a former Senior Secretary had access to make changes to the Revenue Reports. The Senior Secretary had custody of the Museum cash/checks, prepared the bank deposit slips, and physically made the bank deposits.
- The Senior Secretary had access to the Museum of Art Director's computer password.

Recommendation

- The function of preparing the bank deposits and having access to the Museum of Art Revenue Reports should be separated to ensure proper internal control.
- Access to the Director's computer should be limited to the El Paso Museum of Art Director only.

Management's Response

The Revenue Reports have always been generated by someone other than the Senior Secretary and the person preparing the bank deposits. Access to those reports are now "Read Only" and password protected, and passwords are only shared among those who generate the Revenue Report, Director of the EPMA, and the MCAD Accountant. Access to the Director's Computer has always been limited to Outlook and access to Word. Access to Word is discontinued.

Responsible Party

Michael A. Tomor, Ph.D., Director, Museums, MCAD and Norma Huerta, Accountant, MCAD

Implementation Date

April 2009 – Already executed.

Current Observation

The function of preparing the bank deposits and having access to the Museum of Art Revenue Reports has been separated and access to the Museum of Art Director's computer has been limited to the El Paso Museum of Art Director only.

Status

Implemented

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Finding 3

Museum of Art Revenue Reports

There is no reconciliation process in place to identify if revenues are deposited and accurately allocated to the proper General Ledger account.

During the period of January 2007 to January 2009 we identified a total of \$20,603.19 in cash and checks that were listed on the Revenue Reports that could not be traced into the Museum of Art's bank account.

Category	Total Amount on Revenue Report by Category
Art Classes	\$2,255.50
Development events	\$2,768.69
Donations	\$6,177.00
Memberships	\$7,990.00
3 rd Thursdays	\$1,412.00
Total:	\$20,603.19

Recommendation

The Museum and Cultural Affairs Department, in conjunction with the El Paso Museum of Art, should reconcile museum revenues identified in the Museum of Art Revenue Reports to the proper General Ledger account.

Management's Response

Revenue Reports include those managed by Education, Development, and Office Administrator/Receptionist. All reports will be standardized by the MCAD Accountant to meet Best Practices in accounting and then reconciled against the proper City of El Paso Ledger accounts. Processes and procedures will be established and disciplinary action will be expected for failure to meet the proper accounting standards.

Responsible Party

Norma Huerta, Accountant, MCAD

Implementation Date

August 1, 2009

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Current Observation

The Museum of Art Revenue Reports are being reconciled on a monthly basis by the Museum and Cultural Affairs Department Accountant. Differences between what is listed as revenue in the Museum of Art Revenue Report and revenue items that are deposited in the bank or received thru PayPal or credit card payment are identified and documented. The majority of the differences are due to timing of the deposits and transactions.

Status

Implemented

Finding 4

Museum of Art Classes

Art Class revenues are maintained in two separate databases, both databases were found to be inaccurate:

- For the period of January 2007 to January 2009, the class log lists \$870.00 more in cash for art class revenue and \$2,551.00 less in checks that should have been collected versus what was reported on the Revenue Reports.
- For the period of January 2007 to January 2009, \$558.00 in class revenue was deposited that was not listed on the Revenue Reports.
- Payment type and date of payment are not always entered into the class log.
- When individuals do not attend a class their name and amount to be paid is not always removed.
- A reconciliation process is not performed between the two databases.

Recommendation

The Museum and Cultural Affairs Department, in conjunction with the El Paso Museum of Art, should ensure that reconciliations of museum revenues are conducted to ensure revenues are deposited in full.

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Management's Response

Revenue Reports including those managed by Education for classes will be standardized by the MCAD Accountant to meet Best Practices in accounting and then reconciled against the proper City of El Paso Ledger accounts. Processes and procedures will be established and disciplinary action will be expected for failure to meet the proper accounting standards.

Responsible Party

Norma Huerta, Accountant, MCAD

Implementation Date

August 1, 2009

Current Observation

Museum revenues listed on the El Paso Museum of Art Revenue Reports are being reconciled against the Museum of Art Education Department's classes database. The reconciliation is conducted to ensure class revenue is accurately reported on the Museum of Art Revenue Reports.

Status

Implemented

Finding 5

Memberships

Membership revenues are maintained in two separate databases, both databases were found to be inaccurate:

- For the period of January 2007 to January 2009, the membership databases listed \$4,666.00 more in membership revenue than what was reported on the Revenue Reports.
- Membership fee revenue is not being accurately and completely entered into the Revenue Reports. We identified the following types of errors:
 - Incorrect payment type,
 - Incorrect check number,
 - Incomplete membership information making it difficult to trace to a deposit,
 - Duplicate entries,
 - Omitted entries. For the period of January 2007 to January 2009, \$2,545.00 in membership fee revenue was deposited but not listed on the Revenue Reports.
- A reconciliation process is not performed between the two databases.

Recommendation

The Museum and Cultural Affairs Department, in conjunction with the El Paso Museum of Art, should ensure that reconciliations of museum revenues are conducted to ensure revenues are deposited in full.

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Management's Response

Revenue Reports including those managed by Development in Tracking Membership will be standardized by the MCAD Accountant to meet Best Practices in accounting and then reconciled against the proper City of El Paso Ledger accounts. Processes and procedures will be established and disciplinary action will be expected for failure to meet the proper accounting standards.

Responsible Party

Norma Huerta, Accountant, MCAD

Implementation Date

August 1, 2009

Current Observation

Membership revenues listed in the El Paso Museum of Art Revenue Reports are being reconciled against the membership spreadsheet maintained by the Museum of Art Development Department. The reconciliation is conducted on a monthly basis to ensure memberships are accurately reported on the Museum of Art Revenue Reports.

Status

Implemented

Finding 6

3rd Thursdays

- The El Paso Museum of Art does not maintain adequate accounting records of the revenue generated by 3rd Thursdays' events.
 - Accounts receivable for 3rd Thursdays' fees are being maintained and not tracked.
 - There are delays in processing the 3rd Thursdays' credit card transactions. There is an indication that some credit card transactions may not have been processed.
- For the period of January 2007 to January 2009, a variance of \$2,412.00 was identified between the totals reported by the Museum of Art as revenue (\$19,060.00) and actual deposits (\$16,648.00).
- The El Paso Museum of Art has been hosting the 3rd Thursdays' events for three years without a liquor license from the Texas Alcoholic Beverage Commission (TABC). As of the date of this report, the El Paso Museum of Art has taken corrective action by hiring an outside catering service to sell alcohol at 3rd Thursdays' events.

Recommendation

The Museum and Cultural Affairs Department, in conjunction with the El Paso Museum of Art, should maintain adequate financial records of 3rd Thursdays' events. This to include income/expense analyses, accounts receivable tracking, and credit card transaction settlements. In addition, the Museum and Cultural Affairs Department should continue to ensure they are in full compliance with any TABC regulatory requirements for all of their events.

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Management's Response

Revenue Reports including those managed by Development in tracking 3rd Thursdays will be standardized by the MCAD Accountant to meet Best Practices in accounting and then reconciled against the proper City of El Paso Ledger accounts. Processes and procedures will be established and disciplinary action will be expected for failure to meet the proper accounting standards.

Responsible Party

Norma Huerta, Accountant, MCAD

Implementation Date

August 1, 2009

Current Observation

The El Paso Museum of Art is no longer hosting 3rd Thursdays as a social mixer. The last 3rd Thursdays event, as a social mixer, was held by the El Paso Museum of Art on November 19, 2009. The 3rd Thursday name and logo was kept for events that are held on the 3rd Thursday of each month but a fee is not charged and food and drinks are not available unless they are donated.

Status

Not Applicable

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Finding 7

Petty Cash

The El Paso Museum of Art Petty Cash Fund is not being administered in accordance with City of El Paso Petty Cash Manual:

- A Department/City Cashier Cash Advance Voucher PC-03 form is not being completed, submitted, and properly approved prior to an employee receiving a petty cash advance or reimbursement.
- The Departmental Petty Cash Replenishment Request PC-04 forms are not being properly approved prior to submission of petty cash replenishments to the City Cashier.
- Petty Cash fund expenditures exceeding \$100.00 are being split so that the individual expense amounts fall under \$100.00 dollars.
- The Petty Cash fund is being utilized to pay for travel expenses.
- Museum of Art Petty Cash replenishments are not properly posted to the correct department name by the City Cashier.

Recommendation

The Museum and Cultural Affairs Department should terminate its use of all petty cash funds. Procurement cards are available to use for small purchases.

Management's Response

All Petty Cash boxes will be eliminated as a means of purchasing and reimbursement. Procurement card training was conducted on May 27, 2009 to prepare for the business change. Change will be announced at MCAD area head meeting on June 8, 2009.

Responsible Party

Sean McGlynn, Director, MCAD

Implementation Date

June 30, 2009

Current Observation

MCAD has terminated its use of petty cash for advances and reimbursements and now only uses petty cash for Museum Stores' cash register change funds in accordance with the City of El Paso Petty Cash Manual.

Status

Implemented

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this follow-up audit, we found that six (6) of the original findings have been implemented, and one (1) finding is no longer applicable. It is apparent that a significant effort was generated by the Museum and Cultural Affairs Department and the Museum of Art management and staff to implement all of the audit recommendations. Therefore, no additional follow-up will be conducted by the Internal Audit Office.

We wish to thank the Museum of Art, the Museum and Cultural Affairs Department, and the Financial Services Department management and staff for their assistance and courtesies throughout this audit.

Signature on File
Edmundo S. Calderon, CIA, CGAP, MBA
Chief Internal Auditor

Signature on File
Liz De La O, CIA, CGAP, MPA
Senior Auditor

Distribution:

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Joyce A. Wilson, City Manager
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William F. Studer Jr., Deputy City Manager, Finance & Public Safety
Sean McGlynn, Director, Museum and Cultural Affairs
Dr. Michael A. Tomor, Director, El Paso Museum of Art
Carmen Arrieta-Candelaria, CFO